

SANDS TOWNSHIP
MARQUETTE COUNTY, MICHIGAN
FINANCIAL STATEMENTS
AND
ADDITIONAL INFORMATION
FOR THE YEAR ENDED MARCH 31, 2007

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

| | | | |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------|---------------------------------------------------------------|----------------------------|
| Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other | | Local Unit Name SANDS TOWNSHIP | County MARQUETTE |
| Fiscal Year End MARCH 31, 2007 | Opinion Date MAY 22, 2007 | Date Audit Report Submitted to State <i>December, 2007</i> | |

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☒ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

| | | | | |
|-----------------------------------------------------------------------------|-------------------------------------|--------------------------------------------|--------------------|----------------------------------|
| We have enclosed the following: | Enclosed | Not Required (enter a brief justification) | | |
| Financial Statements | <input checked="" type="checkbox"/> | | | |
| The letter of Comments and Recommendations | <input checked="" type="checkbox"/> | | | |
| Other (Describe) | <input type="checkbox"/> | | | |
| Certified Public Accountant (Firm Name) COWELL & LAPOINTE, PC | | Telephone Number 906-228-5150 | | |
| Street Address 101 S. FRONT ST., STE. 301 | | City MARQUETTE | State MI | Zip 49855 |
| Authorizing CPA Signature <i>Gloria J. Lapointe</i> | | Printed Name GLORIA J. LAPOINTE | | License Number A261885 |

REPORT CONTENTS

| | <u>Page</u> |
|--------------------------------------------------------------------------------------------------------------------------------------------|--------------------|
| FINANCIAL STATEMENTS | |
| Management's discussion and analysis | 1 |
| Independent auditor's report | 6 |
| Independent auditor's report on internal control & compliance | 8 |
| Basic financial statements | |
| District-wide financial statements: | |
| Statement of net assets | 10 |
| Statement of activities | 11 |
| Fund financial statements: | |
| Balance sheet- governmental funds | 12 |
| Reconciliation of governmental fund balances to governmental net assets | 13 |
| Statement of revenue, expenditures and changes in fund balances | 14 |
| - governmental funds | 14 |
| Reconciliation of the statement of revenue, expenditures and changes in fund balances of governmental funds to the statement of activities | 15 |
| Fiduciary funds: | |
| Statement of fiduciary net assets | 16 |
| Statement of changes in net assets | 17 |
| Notes to financial statements | 18 |
| Required supplemental information | |
| Budgetary comparison schedule – general fund | 29 |
| Statement of revenue, expenditures and changes in fund balances | |
| - budget to actual – special revenue funds | 32 |
| Other supplemental information | |
| Combining balance sheet – nonmajor governmental funds | 34 |
| Combining statement of revenues, expenditures and changes in fund balances | |
| - nonmajor governmental funds | 35 |
| Fiduciary funds: | |
| Combining statement of net assets | 36 |

TOWNSHIP OF SANDS, MICHIGAN

Management's Discussion and Analysis

Our discussion and analysis of the Township of Sands, Michigan's financial performance provides an overview of the Township's financial activities for the year ended March 31, 2007. Please read it in conjunction with the financial statements.

FINANCIAL HIGHLIGHTS

- The Township's net assets are being reported under GASB 34 for the third year and comparative information with prior years will be presented in various schedules throughout the Management's Discussion and Analysis.
- Net Assets for the Township as a whole increased by \$198,598 or 7.2% as a result of this year's operations.
- During the year, the Township had expenses for governmental activities that totaled \$953,983 and revenues of \$775,591.
- The General Fund reported a net fund balance of \$658,262 as of March 31, 2007, a decrease of \$212,751 from the April 1, 2006 fund balance of \$871,013. This negative change in fund balance was the result of the township's aggressive support of recreation within the township. Further detail will be provided in the General Fund Budgetary highlights.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of the Township as a whole and present a longer-term view of the Township's finances. Fund financial statements tell how these services were financed in the short-term, as well as what remains for future spending. Fund financial statements also report the Township's operations in more detail than the government-wide statements by providing information about the Township's most significant funds.

TOWNSHIP AS A WHOLE

The Statement of Net Assets and the Statement of Activities report information about the Township as a whole and about its activities. These reports help to provide detailed information as to whether the Township, as a whole, is better off or worse off as a result of the year's activities.

The Statement of Net Assets and the Statement of Activities only contain Governmental Activities, as the Township has no Business-Type Activities. The Governmental Activities include legislative, elections, public safety, public works, health and welfare, recreation and culture, community and economic development, general services, and administration. Property taxes, charges for services, and state sources fund most of these activities.

SANDS TOWNSHIP**Management's Discussion and Analysis – Continued****TOWNSHIP AS A WHOLE - Continued**

These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. These two statements report the Township's net assets and changes.

In a condensed format, the table below shows a comparison of the net assets (in thousands of dollars) as of the current date.

Sands Township Total Net Assets – Governmental Activities

(In 000's)

| | Governmental Activities As of March 31, 2007 | Governmental Activities As of March 31, 2006 |
|----------------------------|----------------------------------------------------|----------------------------------------------------|
| Current Assets | \$1,316 | \$1,463 |
| Noncurrent Assets | <u>1,718</u> | <u>1,338</u> |
| Total Assets | <u>\$3,034</u> | <u>\$2,801</u> |
| Long-Term Debt Outstanding | \$ 18 | \$ 24 |
| Other liabilities | <u>54</u> | <u>14</u> |
| Total Liabilities | <u>\$ 72</u> | <u>\$ 38</u> |
| Net Assets | | |
| Invested in Capital Assets | | |
| - Net of Related Debt | \$1,640 | \$1,268 |
| Restricted | 682 | 648 |
| Unrestricted | <u>640</u> | <u>847</u> |
| Total Net Assets | <u>\$2,962</u> | <u>\$ 2,763</u> |

Total Net Assets stood at \$3,034,236 as of fiscal year end March 31, 2007, while Total Liabilities stood at \$72,622.

SANDS TOWNSHIP
Management's Discussion and Analysis – Continued

TOWNSHIP AS A WHOLE - Continued

The following table shows the changes of the net assets (in thousands of dollars) as of March 31, 2007.

Sands Township – Change in Net Assets

| (In 000's) | Governmental Activities <u>As of March 31, 2007</u> | Governmental Activities <u>As of March 31, 2006</u> |
|------------------------------------|-----------------------------------------------------------|-----------------------------------------------------------|
| Program Revenues | | |
| Charges for Services | \$ 30 | \$ 29 |
| Operating Grants and Contributions | 97 | 80 |
| Capital Grants and Contributions | 86 | 180 |
| General Revenues | | |
| Taxes | | |
| Property Taxes | 327 | 306 |
| Commercial Forest Act | 4 | 7 |
| Swamp Tax | 8 | 8 |
| Penalties Interest & Fees on Taxes | 14 | 14 |
| State Shared Revenues | 167 | 171 |
| Cemetery Lot Sales | | 1 |
| Metro Authority Act | 11 | |
| Interest | 5 | 25 |
| Other | <u>31</u> | <u>29</u> |
| Total Revenues | <u>\$780</u> | <u>\$850</u> |
| Program Expenses | | |
| Legislative | \$ 11 | \$ 12 |
| General Government | 188 | 183 |
| Public Safety | 95 | 98 |
| Public Works | 188 | 125 |
| Health and Welfare | 36 | 44 |
| Community and Economic Development | 8 | 8 |
| Culture and Recreation | <u>56</u> | <u>55</u> |
| Total Expenses | <u>582</u> | <u>525</u> |
| Change in Net Assets | <u>\$198</u> | <u>\$325</u> |

SANDS TOWNSHIP

Management's Discussion and Analysis – Continued

TOWNSHIP AS A WHOLE - Continued

The Township's Net assets continue to remain healthy. Sands Township continues to be a quality bedroom community to its larger governmental neighbor, and we are one of the county's faster growing townships. With new residents moving into the Township, either through the sale of homes or new construction, it is anticipated revenue from governmental activities will increase in the future.

GOVERNMENTAL ACTIVITIES

The net assets for the Township's governmental activities increased by \$198,598 of the year ended March 31, 2007. Total revenues from governmental activities were \$780,836, while total expenses were \$582,238.

TOWNSHIP FUNDS

As the Township of Sands, Michigan completed the fiscal year as of March 31, 2007, its Governmental Funds (as presented in the balance sheet) reported combined fund balances of \$1,340,223, a decrease of \$178,392 or 11.74% from April 1, 2006. The General Fund, Road Fund, Ambulance Fund, Cemetery Perpetual Care Fund, and Nonmajor Governmental Funds reported excess revenues over expenditures totaling \$141,767, while the Capital Projects Fund, Fire Fund, and Cemetery Fund reported a combined net loss of \$320,159.

GENERAL FUND BUDGETARY HIGHLIGHTS

During the course of the year, the Township Board amended the General Fund budget to take into account events taking place during the fiscal year. The main change in our budget occurred because the board voted to complete and enlarge our multi-purpose gym area attached to our office complex. We did this with the support of the community, who voted and passed a one half mill for 10 years to support the maintenance of recreation within the Township. Therefore, funds were moved from fund balance to capital projects to accomplish the construction. We are hopeful that future expenditures will follow within budget. The amendments resulted in a net decrease of \$20,000. However, actual expenditures were \$212,751 more than revenues of \$481,923. The Board will continue to strive to minimize future budget amendments.

CAPITAL ASSET AND DEBT ADMINISTRATION

As of March 31, 2007, the Township of Sands, Michigan had \$1,639,871 invested in a variety of capital assets including land, buildings, machinery and equipment (including fire equipment and ambulance) and equity in the Marquette County Solid Waste Management Authority. In addition, the Township continues to invest significant funds in roads within the Township. However, these assets are not reported as assets of Sands Township, but rather they are the property of the Marquette County Road Commission.

SANDS TOWNSHIP
Management's Discussion and Analysis – Continued

A breakdown of the Capital Assets (in thousands of dollars) is shown below.

Sands Township Capital Assets (Net of Depreciation)

| (In 000's) | <u>March 31, 2007</u> | <u>March 31, 2006</u> |
|-------------------------|-----------------------|-----------------------|
| Capital Assets | | |
| Land | \$ 302 | \$ 302 |
| Construction in process | 197 | |
| Land Improvements | 209 | 8 |
| Buildings | 438 | 454 |
| Equipment | 68 | 33 |
| Vehicles | <u>425</u> | <u>471</u> |
| Total | <u>\$1,639</u> | <u>\$1,268</u> |

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Reductions in Michigan State Revenue Sharing are of considerable concern to Sands Township. With decreased funds the Township continues to watch its budget very closely.

In preparing the 2007-2008 Budget the Township Board reviewed year-to-date data for all funds, along with reviewing past budget data. Every attempt has been made to develop a realistic budget from both the revenue and expenditure perspective.

CONTACTING THE TOWNSHIP'S MANAGEMENT

This financial report is intended to provide our citizens and taxpayers with a general overview of Sands Township's finances and to show the Township's accountability for the money it receives.

If you have any questions about this report or need additional information, we welcome you to contact the following:

Sands Township
987 S. M-553
Gwinn, MI 49841
(906) 249-9169

COWELL & LaPOINTE, PC

CERTIFIED PUBLIC ACCOUNTANTS
GLORIA J. LaPOINTE, CPA, CFP
MICHAEL R. CHESLA, CPA
TERI L. CHESLA, CPA

101 SOUTH FRONT STREET
SAVINGS BANK BUILDING, SUITE 301
MARQUETTE, MICHIGAN 49855
906-228-5150

Board of Trustees
Sands Township
Marquette County, Michigan

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Sands Township, as of and for the year ended March 31, 2007, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's Board. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Sands Township, as of March 31, 2007 and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note A, the Township has implemented a new financial reporting model as required by the provisions of GASB Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, as amended and interpreted, as of March 31, 2007.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 22, 2007, on our consideration of Sands Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

INDEPENDENT AUDITOR'S REPORT - Continued

The management's discussion and analysis (identified in the table of contents) and budgetary comparison information on pages 29-33 are not a required part of the basic financial statements but are supplemental information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Sands Township's basic financial statements. The accompanying required supplemental information and other supplemental information, as identified in the table of contents, are not a required part of the basic financial statements. The required supplemental information is information required by the Governmental Accounting Standards Board; the other supplemental information is presented for the purpose of additional analysis. The required supplemental information and the other supplemental information have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Cowell & LaPointe, P.C.
Certified Public Accountants
Marquette, Michigan

May 22, 2007

Board of Trustees
Sands Township
Marquette County, Michigan

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Sands Township as of and for the year ended March 31, 2007, which collectively comprise the Township's basic financial statements and have issued our report thereon dated May 22, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit, we considered Sands Township's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Sands Township's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Sands Township's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Sands Township's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of Sand's Township's financial statements that is more than inconsequential will not be prevented or detected by Sands Township's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by Sands Township's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL Continued

COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether Sands Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to the management of Sands Township in a separate letter dated May 22, 2007.

This report is intended solely for the information of Sands Township management and Board of Trustees, and is not intended to be and should not be used by anyone other than these specified parties.

Covell & Associates, P.C.
Certified Public Accountants
Marquette, Michigan

May 22, 2007

SANDS TOWNSHIP

STATEMENT OF NET ASSETS

March 31, 2007

| | <u>Governmental Activities</u> |
|--------------------------------------------------------------|------------------------------------|
| Assets | |
| Cash | \$ 1,316,000 |
| Interest receivable | 1,279 |
| Taxes receivable | 26,321 |
| Accounts receivable | 1,497 |
| Fees receivable | 8,427 |
| Due from other governmental units | 40,841 |
| Capital assets - less accumulated depreciation of \$ 536,868 | <u>1,639,871</u> |
| Total assets | <u><u>\$ 3,034,236</u></u> |
| Liabilities and Net Assets | |
| Liabilities | |
| Accounts payable | \$ 44,592 |
| Deferred revenue | 9,550 |
| Long-term liabilities-Bonds payable-Due within one year | 5,619 |
| -Due in more than one year | <u>12,861</u> |
| Total liabilities | <u>72,622</u> |
| Net Assets | |
| Investment in capital assets - net of related debt | 1,639,871 |
| Restricted: | |
| Public safety | 92,714 |
| Public works | 446,431 |
| Health and welfare | 121,530 |
| Capital projects | 19,538 |
| Cemetery perpetual care-expendable | 878 |
| -nonexpendable | 870 |
| Unrestricted | <u>639,782</u> |
| Total net assets | <u>2,961,614</u> |
| Total liabilities and net assets | <u><u>\$ 3,034,236</u></u> |

See accompanying notes to financial statements.

SANDS TOWNSHIP

STATEMENT OF ACTIVITIES FOR THE YEAR ENDED MARCH 31, 2007

| Functions/Programs | Expenses | Program Revenue | | | Governmental Activities |
|--------------------------------------|-------------------|-------------------------|------------------------------------|----------------------------------|----------------------------------------------------------|
| | | Charges for Services | Operating Grants/ Contributions | Capital Grants/ Contributions | Net (Expense) Revenue and Changes in Net Assets |
| Governmental Activities: | | | | | |
| Legislative | \$ 11,283 | \$ | \$ | \$ | \$ (11,283) |
| General government | 188,055 | 544 | | | (187,511) |
| Public safety | 94,610 | | 15,000 | | (79,610) |
| Public works | 187,997 | 18,399 | 81,662 | | (87,936) |
| Health and welfare | 36,015 | 11,482 | 500 | | (24,033) |
| Community/economic development | 8,286 | | | | (8,286) |
| Culture and recreation | 55,992 | | | 85,950 | 29,958 |
| Total Governmental Activities | \$ 582,238 | \$ 30,425 | \$ 97,162 | \$ 85,950 | (368,701) |
| General Revenues: | | | | | |
| Taxes: | | | | | |
| Property taxes | | | | | 327,360 |
| Commercial forest act | | | | | 3,702 |
| Swamp tax | | | | | 7,469 |
| Penalty, interest and fees on taxes | | | | | 14,442 |
| State-shared revenues | | | | | 166,924 |
| Metro authority act | | | | | 5,312 |
| Interest | | | | | 31,224 |
| Other | | | | | 10,866 |
| Total general revenues | | | | | 567,299 |
| Change in Net Assets | | | | | 198,598 |
| Net Assets - April 1, 2006 | | | | | 2,763,016 |
| Net Assets - March 31, 2007 | | | | | \$ 2,961,614 |

See accompanying notes to financial statements.

SANDS TOWNSHIP

GOVERNMENTAL FUNDS

BALANCE SHEET

March 31, 2007

| | General Fund | Road Fund | Capital Projects Fund | Cemetery Perpetual Care Fund | Nonmajor Governmental Funds | Total Governmental Funds |
|--------------------------------------------|-------------------|-------------------|-----------------------------|------------------------------------|-----------------------------------|--------------------------------|
| Assets | | | | | | |
| Cash | \$ 618,295 | \$ 437,272 | \$ 47,728 | \$ 4,248 | \$ 208,457 | \$ 1,316,000 |
| Interest receivable | 1,059 | | | | 220 | 1,279 |
| Taxes receivable | 10,391 | 9,104 | | | 6,826 | 26,321 |
| Fees receivable | 8,427 | | | | | 8,427 |
| Interfund receivables | 3,902 | 55 | | | 40 | 3,997 |
| Due from other governmental units | 26,585 | | 14,256 | | | 40,841 |
| Total assets | \$ 668,659 | \$ 446,431 | \$ 61,984 | \$ 4,248 | \$ 215,543 | \$ 1,396,865 |
| Liabilities and Fund Balances | | | | | | |
| Liabilities | | | | | | |
| Accounts payable | \$ 10,397 | \$ | \$ 32,896 | \$ | \$ 1,299 | \$ 44,592 |
| Deferred revenue | | | 9,550 | | | 9,550 |
| Interfund payables | | | | 2,500 | | 2,500 |
| Total liabilities | 10,397 | | 42,446 | 2,500 | 1,299 | 56,642 |
| Fund Balances | | | | | | |
| Reserved - cemetery perpetual care | | | | 1,748 | | 1,748 |
| Unreserved- | | | | | | |
| Designated for capital projects | | | 19,538 | | | 19,538 |
| Undesignated | 658,262 | 446,431 | | | 214,244 | 1,318,937 |
| Total fund balances | 658,262 | 446,431 | 19,538 | 1,748 | 214,244 | 1,340,223 |
| Total liabilities and fund balances | \$ 668,659 | \$ 446,431 | \$ 61,984 | \$ 4,248 | \$ 215,543 | \$ 1,396,865 |

See accompanying notes to financial statements.

SANDS TOWNSHIP

RECONCILIATION OF GOVERNMENTAL FUND BALANCES TO GOVERNMENTAL NET ASSETS

March 31, 2007

| | | |
|---------------------------------------------------------------------------------------------------------------|------------------|----------------------------|
| Total Governmental Fund Balances | | \$ 1,340,223 |
| Amounts reported for governmental activities in the statement of net assets are different because: | | |
| Capital assets used in governmental activities are not financial resources and are not reported in the funds. | | |
| The cost of the capital assets is | \$ 2,176,739 | |
| Accumulated depreciation is | <u>(536,868)</u> | 1,639,871 |
| Long-term liabilities are not due and payable in the current period and are not reported in the funds | | <u>(18,480)</u> |
| Net assets of governmental activities | | <u><u>\$ 2,961,614</u></u> |

See accompanying notes to financial statements.

SANDS TOWNSHIP

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE FOR THE YEAR ENDED MARCH 31, 2007

| | General Fund | Road Fund | Capital Projects Fund | Cemetery Perpetual Care Fund | Nonmajor Governmental Funds | Total Governmental Funds |
|---------------------------------------------------------|-------------------|-------------------|-----------------------------|------------------------------------|-----------------------------------|--------------------------------|
| Revenues | | | | | | |
| Taxes and penalties | \$ 125,533 | \$ 97,531 | \$ | \$ | \$ 118,738 | \$ 341,802 |
| Licenses and permits | 2,567 | | | | | 2,567 |
| State grants | 181,169 | 1,291 | 85,950 | | 947 | 269,357 |
| Contributions from local units | 61,417 | | | | | 61,417 |
| Charges for services | 30,425 | | | | | 30,425 |
| Interest | 17,508 | 9,413 | 854 | 85 | 3,364 | 31,224 |
| Other | 23,029 | | | | 15,770 | 38,799 |
| Total revenues | 441,648 | 108,235 | 86,804 | 85 | 138,819 | 775,591 |
| Expenditures | | | | | | |
| Legislative | 10,766 | | | | | 10,766 |
| General government | 148,728 | | | | 285 | 149,013 |
| Public safety | 18,076 | | | | 32,625 | 50,701 |
| Public works | 109,268 | 69,286 | | | | 178,554 |
| Health and welfare | 17,148 | | | | 2,193 | 19,341 |
| Community/economic development | 7,891 | | | | | 7,891 |
| Recreation and culture | 5,072 | | | | 45,625 | 50,697 |
| Other | 44,447 | | | | | 44,447 |
| Capital outlay | 1,890 | | 400,062 | | 40,621 | 442,573 |
| Total expenditures | 363,286 | 69,286 | 400,062 | | 121,349 | 953,983 |
| Excess of Revenues Over (Under) Expenditures | 78,362 | 38,949 | (313,258) | 85 | 17,470 | (178,392) |
| Other Financing Sources (Uses) | | | | | | |
| Operating transfers in | 40,275 | | 331,388 | | | 371,663 |
| Operating transfers out | (331,388) | | | | (40,275) | (371,663) |
| Total other financing sources (uses) | (291,113) | | 331,388 | | (40,275) | |
| Net Change in Fund Balances | (212,751) | 38,949 | 18,130 | 85 | (22,805) | (178,392) |
| Fund Balances - April 1, 2006 | 871,013 | 407,482 | 1,408 | 1,663 | 237,049 | 1,518,615 |
| Fund Balances - March 31, 2007 | \$ 658,262 | \$ 446,431 | \$ 19,538 | \$ 1,748 | \$ 214,244 | \$ 1,340,223 |

See accompanying notes to financial statements.

SANDS TOWNSHIP

RECONCILIATION OF THE STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED MARCH 31, 2007

| | |
|---------------------------------------------------------------|---------------------|
| Net Change in Fund Balances - Total Governmental Funds | \$ (178,392) |
|---------------------------------------------------------------|---------------------|

Amounts reported for governmental activities in the statement of activities
are different because:

Governmental funds report capital outlays as expenditures; in the
statement of activities, these costs are allocated over their
estimated useful lives as depreciation

| | | |
|----------------------|------------------|-----------|
| Depreciation expense | \$ 70,828 | |
| Capital outlay | <u>(442,573)</u> | (371,745) |

| | |
|---------------------------------------------------------------------------------------------------------------------------------|--------------|
| Bond principal payment absorbed by Marquette County Solid Waste Management Authority included in the statement of activities | <u>5,245</u> |
|---------------------------------------------------------------------------------------------------------------------------------|--------------|

| | |
|--------------------------------------------------------|--------------------------|
| Change in Net Assets of Governmental Activities | <u>\$ 198,598</u> |
|--------------------------------------------------------|--------------------------|

See accompanying notes to financial statements.

SANDS TOWNSHIP
FIDUCIARY FUNDS
STATEMENT OF NET ASSETS
March 31, 2007

| | Pension Trust Fund | Agency Funds |
|------------------------------------|-------------------------|------------------------|
| Assets | | |
| Cash and cash equivalents | \$ | \$ 2,405 |
| Investments--at fair value | <u>87,694</u> | <u> </u> |
| Total assets | <u><u>\$ 87,694</u></u> | <u><u>\$ 2,405</u></u> |
| Liabilities and Net Assets | | |
| Liabilities | | |
| Due to other funds | \$ | \$ 1,498 |
| Due to other governmental units | <u> </u> | <u>907</u> |
| Total liabilities | <u> </u> | <u>2,405</u> |
| Net assets | | |
| Held in trust for pension benefits | <u>87,694</u> | <u> </u> |
| Total liabilities and net assets | <u><u>\$ 87,694</u></u> | <u><u>\$ 2,405</u></u> |

See accompanying notes to financial statements.

SANDS TOWNSHIP
FIDUCIARY FUNDS
STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED MARCH 31, 2007

| | Pension Trust Fund |
|--------------------------------------------|-------------------------|
| Additions | |
| Investment income - interest and dividends | \$ 3,724 |
| Contributions - employee | <u>7,790</u> |
| Total additions | 11,514 |
| Deductions | |
| Withdrawals | 581 |
| Administrative expenses | <u>335</u> |
| Total deductions | <u>916</u> |
| Change in net assets | 10,598 |
| Net assets - April 1, 2006 | <u>77,096</u> |
| Net assets - March 31, 2007 | <u><u>\$ 87,694</u></u> |

See accompanying notes to financial statements.

SANDS TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2007

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Sands Township conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by Negaunee Township:

Reporting Entity

Sands Township is governed by an elected five-member Board of Trustees and provides services for about 2,900 residents which include fire and ambulance protection, recreational facilities, garbage collection, and disposal facilities for other refuse. The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. These criteria include significant operational financial relationships that determine which of the governmental organizations are a part of the Township's reporting entity, and which organizations are legally separate, component units of the Township. Based on the application of the criteria, the Township does not contain any component units.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenue includes (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes, intergovernmental payments, and other items not properly included among program revenues are reported instead as general revenue.

SANDS TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2007

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Government-Wide and Fund Financial Statements - Continued

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

Government-Wide Statements – The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Fund Based Statements – Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures related to compensated absences, and claims and judgments are recorded only when payment is due.

Property taxes, state-shared revenue and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the government.

Sands Township reports the following major governmental funds:

The General Fund is the Township's primary operating fund. It accounts for all financial resources except those accounted for in another fund.

SANDS TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2007

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Measurement Focus, Basis of Accounting and Financial Statement Presentation - Continued

Fund Based Statements - Continued

The Capital Projects Fund is used to account for the construction of capital assets funded by the issuance of debt or by assets of the Township.

The Cemetery Perpetual Care Fund is used to account for income earned on investments (expendable) and a portion of cemetery lot sales (nonexpendable) that are expended only for the perpetual care of cemetery lots.

The Road Fund is used to account for revenues from state and federal grants and special tax levies restricted for maintenance and improvement to county roads within the Township.

Additionally, the Township reports the following fund types:

The Pension Trust Fund accounts for the activities of the Township's employee Section 457 deferred compensation plan for eligible employees.

The Trust and Agency Fund accounts for the collection and disbursement of delinquent taxes and deposits due to other units of government.

The Property Tax Collection Fund accounts for collection and disbursement of current property tax collections.

Private-sector standards of accounting issued prior to December 1, 1989 are generally followed in the government-wide financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board.

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

SANDS TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2007

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Assets, Liabilities, and Net Assets or Equity

Deposits and Investments – Cash and cash equivalents include cash on hand, demand deposits and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value. Pooled investment income is generally allocated to each fund using a weighted average of balance for principal.

Receivables and Payables – In general, outstanding balances between funds are reported as “due to/from other funds.”

The Township property tax is levied, due, and becomes a lien each December 1st on the basis of the taxable value of property located in the Township as of the preceding December 31st. If the Township's real property taxes are not collected by the Township Treasurer by March 1st of the year subsequent to levy, Marquette County will pay the Township the remaining balance owing on these taxes. The ultimate collection of personal property taxes is the responsibility of the Township.

The rate to finance general government services for the year ended March 31, 2007 was 2.1147 per \$1,000 of taxable valuation of \$52,020,374, on which an ad valorem tax was levied of \$110,000 for operating purposes. An additional .9264 per \$1,000 of taxable valuation was levied for fire equipment, maintenance and improvements, raising \$48,184, .4631 per \$1,000 of taxable valuation for ambulance equipment, raising \$24,083 and 1.8530 per \$1,000 taxable valuation was levied for roads, raising \$96,386. These amounts are recognized in the respective General and Special Revenue Fund financial statements as taxes receivable or as tax revenue.

Under the provisions of Michigan Compiled Laws 397.213, Sands Township contracted with Peter White Public Library for five years to receive library services. The Township agreed to provide 1 mill for the library services of which .8746 mills was levied, raising \$45,625.

Inventories and Prepaid Costs – The Township does not record items as inventories. Supplies are recorded as expenditures when they are purchased.

SANDS TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2007

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Assets, Liabilities, and Net Assets or Equity

Capital Assets – Capital assets, which include land, buildings, equipment, and vehicles, are reported in the applicable governmental column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$2,500 and an estimated useful life in excess of 1 year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Costs of normal repair and maintenance that do not add to the value or materially extended asset life are not capitalized.

Buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

| | |
|-------------------------------|--------------|
| Land improvements | 20-25 years |
| Buildings and other additions | 40 years |
| Equipment | 5 - 25 years |
| Vehicles | 5 - 15 years |

Long-Term Obligations - In the government-wide financial statements long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net assets.

Fund Equity – In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Comparative Data/Reclassifications – Comparative data is not included in the Township's financial statements.

Use of Estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

SANDS TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2007

NOTE B – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information – Annual budgets are adopted on a basis consistent with generally accepted accounting principles and state law for the general and special revenue funds, after a public hearing. An amendment is made as soon as it becomes apparent there will be deviations from the original budget. All annual budgets lapse at fiscal year end.

The budget document presents information by fund and function. The legal level of budgetary control adopted by the governing body (i.e., the level at which expenditures may not legally exceed appropriations) is the function level. State law requires the Township to have its budget in place by April 1st. Expenditures in excess of amounts budgeted is a violation of Michigan Law. State law permits townships to amend their budgets during the year. The budgets are presented in the other supplemental information.

During the year, the Township incurred expenditures in certain budgeted funds which were in excess of the amounts appropriated, as follows:

| <u>Budget Item</u> | <u>Budget Appropriation</u> | <u>Actual Expenditures</u> | <u>Difference</u> |
|---------------------------------|---------------------------------|--------------------------------|-------------------|
| General Fund | | | |
| - Supervisor | \$ 19,000 | \$ 19,195 | \$ 195 |
| - Clerk | 21,500 | 22,071 | 571 |
| - Board of review | 1,000 | 2,250 | 1,250 |
| - Treasurer | 21,000 | 21,538 | 538 |
| - Legal | 15,000 | 15,997 | 997 |
| - Recreation capital outlay | - | 1,890 | 1,890 |
| Capital Projects-capital outlay | 191,000 | 400,062 | 209,062 |

NOTE C – DEPOSITS AND INVESTMENTS

Michigan Compiled Laws, Section 129.91, authorizes Sands Township to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or federal agency obligation repurchase agreements; banker's acceptance of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

SANDS TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2007

NOTE C – DEPOSITS AND INVESTMENTS - Continued

The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in certificates of deposit, interest bearing checking accounts, money market accounts, treasury bills and treasury notes, mutual funds limited to securities whose intention is to maintain a net asset value of \$1.00 per share, investment pools and state and municipal bonds. The Township's investments are in accordance with statutory authority.

Michigan law (Section 3, Act 40, PA 1932, as amended) prohibits security in the form of collateral, surety bond, or another form for the deposit of public money. The Township considers highly liquid investments with an original maturity of three months or less when acquired to be cash equivalents.

All investments are put in federally insured bank accounts subject to the FDIC and NCUA insurance limit of \$100,000 per account. The cash from all funds was maintained in a common, interest bearing checking account except for the cemetery, road millage, tax collection, and capital projects funds which had their own checking accounts. The interest in the common bank account was allocated to the Fire, Ambulance, and General Funds based upon the average month end balances throughout the year.

At year-end, the Township's deposits were reported in the basic financial statements as cash and cash equivalents as follows:

| | |
|-------------------------|--------------------|
| Governmental activities | \$1,316,000 |
| Fiduciary funds | <u>2,405</u> |
| Total | <u>\$1,318,405</u> |

All of the funds are invested in checking, savings, and certificate of deposit accounts. The deposits of Sands Township were reflected in the accounts of bank and credit union deposits at \$1,318,203, of which \$564,309 is covered by federal depository insurance and \$82,861 is covered by the National Credit Union Administration.

The Township's investments are \$87,694 in the fiduciary pension trust fund. They are considered a category 2 credit risk which means they are uninsured and unregistered, with securities held by the counterparty's trust department or agent in the government's name.

SANDS TOWNSHIP

NOTES TO FINANCIAL STATEMENTS MARCH 31, 2007

NOTE D – CAPITAL ASSETS

Capital asset activity of Sands Township for the current year was as follows:

| | <u>Beginning Balance</u> | <u>Increases</u> | <u>Decreases</u> | <u>Ending Balance</u> |
|---------------------------------------|------------------------------|------------------|------------------|---------------------------|
| Governmental Activities | | | | |
| Capital Assets Not Being Depreciated | | | | |
| Land | \$ 302,238 | \$ | \$ | \$ 302,238 |
| Construction in Progress | | <u>197,298</u> | | <u>197,298</u> |
| | <u>302,238</u> | <u>197,298</u> | | <u>499,536</u> |
| Capital Assets Being Depreciated | | | | |
| Land improvements | 8,602 | 204,654 | | 213,256 |
| Buildings | 617,865 | | | 617,865 |
| Equipment | 44,689 | 40,621 | | 85,310 |
| Vehicles | <u>760,772</u> | | | <u>760,772</u> |
| Subtotal | <u>1,431,928</u> | <u>245,275</u> | | <u>1,677,203</u> |
| Less Accumulated Depreciation for | | | | |
| Land improvements | 192 | 3,706 | | 3,898 |
| Buildings | 163,892 | 16,248 | | 180,140 |
| Equipment | 11,800 | 5,239 | | 17,039 |
| Vehicles | <u>290,156</u> | <u>45,635</u> | | <u>335,791</u> |
| Subtotal | <u>466,040</u> | <u>70,828</u> | | <u>536,868</u> |
| Net Capital Assets Being Depreciated | <u>965,888</u> | <u>174,447</u> | | <u>1,140,335</u> |
| Governmental Activities Capital Total | | | | |
| Capital Assets—net of Depreciation | <u>\$1,268,126</u> | <u>\$371,745</u> | <u>\$</u> | <u>\$1,639,871</u> |

NOTE E – INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The composition of interfund balances is as follows:

| <u>Receivable Fund</u> | <u>Payable Fund .</u> | <u>Amount</u> |
|--------------------------------|-----------------------|------------------|
| Due To/From Other Funds | | |
| Ambulance | Tax | \$ 14 |
| Fire | Tax | 27 |
| Roads | Tax | 55 |
| General | Cemetery Trust | 2,500 |
| | Tax | <u>1,402</u> |
| Total | | <u>\$3,998</u> |
| <u>Transfer In</u> | <u>Transfer Out</u> | <u>Amount</u> |
| Interfund Transfers | | |
| General Fund | Cemetery Fund | \$ 40,275 |
| Capital Projects Fund | General Fund | <u>331,388</u> |
| Total | | <u>\$371,663</u> |

SANDS TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2007

NOTE F – LONG-TERM DEBT

Bond and contractual obligation activity can be summarized as follows:

| | Balance April 1, 2006 | Issued | Retired | Balance March 31, 2007 | Due Within One Year |
|------------------------------------------------------------|--------------------------|--------|----------|---------------------------|------------------------|
| Governmental Activities | | | | | |
| General Obligation Bonds: | | | | | |
| Marquette County Solid Waste Management Authority Bonds | | | | | |
| Amount of issue - \$61,315 | | | | | |
| Maturity through 2009 | \$ 23,725 | \$ | \$ 5,245 | \$ 18,480 | \$ 5,619 |
| Total governmental activities | \$ 23,725 | \$ | \$ 5,245 | \$ 18,480 | \$ 5,619 |

The Marquette County Solid Waste Management Authority Board agreed to absorb the May, 2006 installment of \$6,706 of the 1989 bond issue. In 2007 they also agreed to absorb the May, 2007 installment amount of \$6,668.

Annual debt service requirements to maturity for the above obligations are as follows:

| | Governmental Activities | | |
|-------------------|-------------------------|----------|-----------|
| Year End March 31 | Principal | Interest | Total |
| 2007 | \$ 5,619 | \$ 1,049 | \$ 6,668 |
| 2008 | 6,119 | 618 | 6,737 |
| 2009 | 6,742 | 169 | 6,911 |
| Total | \$ 18,480 | \$ 1,836 | \$ 20,316 |

NOTE G – RISK MANAGEMENT

Sands Township is exposed to various risks of loss related to property loss, torts, errors and omissions and employee injuries, i.e. workers compensation. Commercial insurance has been purchased to cover workers compensation, property and general liability claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

SANDS TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2007

NOTE H – SUBSEQUENT EVENTS

On May 8, 2007, Sands Township voted to enter into a construction agreement for County Road NF at an estimated cost of \$100,625 to the Township. The construction of this road is expected to be completed during 2007.

The Township is completing the addition of a community hall/gymnasium. An additional \$39,354 was completed in May, 2007 bringing the total cost to \$236,652. The construction is expected to be completed during the year ended March 31, 2008.

NOTE I – DEFERRED COMPENSATION PLAN

The Township has a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan is administered by an independent plan administrator. Employees defer a portion of their salary until future years. Deferred compensation is not available to employees until termination, retirement, death or financial hardship. The plan is accounted for as a fiduciary fund – pension trust. The plan's assets are presented at fair market value and captioned as investments.

All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights are (until paid or made available to the employee or other beneficiary) solely the property and rights of the Township, subject only to the claims of the Township's general creditors. Participants' rights under the plan are equal to those of general creditors of the Township in an amount equal to the fair market value of the deferred amount for each participant. The Township believes it is unlikely that it will use the assets to satisfy the claims of general creditors in the future.

NOTE J – ACT 425 AGREEMENTS

On December 18, 2002 Sands Township made a conditional transfer of approximately 2,400 acres of property to Forsyth Township to enable Forsyth Township to pursue an economic development project (Sawyer International Airport) as provided by Public Act 425 of 1984. Upon expiration of this agreement after the two-year period, the property was permanently transferred.

SANDS TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2007

NOTE J – ACT 425 AGREEMENTS - Continued

On June 16, 2005, Sands Township entered into an agreement with Marquette Township for a conditional transfer of certain property within Sands Township and contiguous to Marquette Township. Marquette will provide all Township services now available, or as may be adjusted from time to time, to residents and property owners within the Township. The property will be subject to Marquette taxation and will be for a term of 25 years with an option for renewal for another 25 years by mutual written agreement. During the period of the conditional transfer, Marquette shall annually return to Sands Township one-half (1/2) of the tax revenues derived from the transferred territory which sum, however, shall at no time be greater than three (3) mills applied to the taxable value of said territory. During the year ended March 31, 2007, Marquette Township transferred \$2,478 to meet this obligation.

NOTE K – RECREATIONAL FACILITIES TAX

The Township voters approved a .5 mill property tax levy to fund equipment, maintenance and operations of the Township's recreational facilities. The tax will be levied for ten years, 2007 through 2106, inclusive. The millage is expected to generate approximately \$26,000 in the first year.

SANDS TOWNSHIP

REQUIRED SUPPLEMENTAL INFORMATION GENERAL FUND

BUDGETARY COMPARISON SCHEDULE FOR THE YEAR ENDED MARCH 31, 2007

| | <u>Original Budget</u> | <u>Amended Budget</u> | <u>Actual</u> | <u>Variance With Amended Budget</u> |
|--------------------------------------------|----------------------------|---------------------------|----------------|-----------------------------------------|
| Revenues | | | | |
| Taxes and penalties | | | | |
| Taxes | \$ 87,000 | \$ 87,000 | \$ 111,226 | \$ 24,226 |
| Penalties, interest and fees | 25,000 | 25,000 | 14,307 | (10,693) |
| Total taxes and penalties | <u>112,000</u> | <u>112,000</u> | <u>125,533</u> | <u>13,533</u> |
| State grants | | | | |
| State shared revenue | 168,000 | 168,000 | 166,924 | (1,076) |
| Metro authority act | | | 5,312 | 5,312 |
| Commercial forest reserve | 1,500 | 1,500 | 1,464 | (36) |
| Swamp tax | 7,500 | 7,500 | 7,469 | (31) |
| Total state grants | <u>177,000</u> | <u>177,000</u> | <u>181,169</u> | <u>4,169</u> |
| Contributions from local units | <u>60,000</u> | <u>60,000</u> | <u>61,417</u> | <u>1,417</u> |
| Interest | <u>10,000</u> | <u>10,000</u> | <u>17,508</u> | <u>7,508</u> |
| Charges for services | | | | |
| Trailer fees | 250 | 250 | 244 | (6) |
| Other fees | 25,000 | 25,000 | 30,181 | 5,181 |
| Total charges for services | <u>25,250</u> | <u>25,250</u> | <u>30,425</u> | <u>5,175</u> |
| Licenses and permits | <u>2,000</u> | <u>2,000</u> | <u>2,567</u> | <u>567</u> |
| Other | | | | |
| Miscellaneous | <u>5,050</u> | <u>5,050</u> | <u>23,029</u> | <u>17,979</u> |
| Total revenues | <u>391,300</u> | <u>391,300</u> | <u>441,648</u> | <u>50,348</u> |
| Other Financing Sources | | | | |
| Operating transfer in | | 364,091 | 40,275 | (323,816) |
| Total revenues and other financing sources | <u>391,300</u> | <u>755,391</u> | <u>481,923</u> | <u>(273,468)</u> |

SANDS TOWNSHIP

REQUIRED SUPPLEMENTAL INFORMATION GENERAL FUND BUDGETARY COMPARISON SCHEDULE - Continued FOR THE YEAR ENDED MARCH 31, 2007

| | Original Budget | Amended Budget | Actual | Variance With Amended Budget |
|--------------------------------------|--------------------|-------------------|----------------|---------------------------------|
| Expenditures | | | | |
| LEGISLATIVE - Township board | \$ 12,500 | \$ 12,500 | \$ 10,766 | \$ (1,734) |
| GENERAL GOVERNMENT | | | | |
| Supervisor | 19,000 | 19,000 | 19,195 | 195 |
| Clerk | 21,500 | 21,500 | 22,071 | 571 |
| Audit and accounting | 6,300 | 6,300 | 3,903 | (2,397) |
| Board of review | 1,000 | 1,000 | 2,250 | 1,250 |
| Treasurer | 22,000 | 21,000 | 21,538 | 538 |
| Assessor/equalization | 22,000 | 22,000 | 21,736 | (264) |
| Elections | 3,000 | 7,000 | 6,716 | (284) |
| Buildings and grounds | 27,000 | 31,000 | 30,915 | (85) |
| Legal | 20,000 | 15,000 | 15,997 | 997 |
| Cemetery | 4,000 | 5,000 | 4,407 | (593) |
| TOTAL GENERAL GOVERNMENT | 145,800 | 148,800 | 148,728 | (72) |
| PUBLIC SAFETY | | | | |
| Fire department #1 | 15,000 | 20,000 | 16,509 | (3,491) |
| Fire department #2 | 3,000 | 3,000 | 1,567 | (1,433) |
| Animal control | 200 | 200 | | (200) |
| TOTAL PUBLIC SAFETY | 18,200 | 23,200 | 18,076 | (5,124) |
| PUBLIC WORKS | | | | |
| Highways, streets and lighting | | | | (1,000) |
| Endloader operations | 1,000 | 1,000 | | (71) |
| Lights | 4,000 | 5,000 | 4,929 | (1,071) |
| Total highways, streets and lighting | 5,000 | 6,000 | 4,929 | (1,071) |
| Sanitation | 97,000 | 97,000 | 96,122 | (878) |
| Transfer station | 8,000 | 8,000 | 6,951 | (1,049) |
| Well testing/aquifer | 4,500 | 4,500 | 1,266 | (3,234) |
| TOTAL PUBLIC WORKS | 114,500 | 115,500 | 109,268 | (6,232) |

SANDS TOWNSHIP

REQUIRED SUPPLEMENTAL INFORMATION GENERAL FUND BUDGETARY COMPARISON SCHEDULE - Continued FOR THE YEAR ENDED MARCH 31, 2007

| | Original Budget | Amended Budget | Actual | Variance With Amended Budget |
|-----------------------------------------------|--------------------|-------------------|-----------|---------------------------------|
| HEALTH AND WELFARE | | | | |
| Ambulance | \$ 21,000 | \$ 21,000 | \$ 17,148 | \$ (3,852) |
| COMMUNITY/ECONOMIC DEVELOPMENT | | | | |
| Zoning | 8,000 | 8,000 | 7,891 | (109) |
| RECREATION AND CULTURE | | | | |
| Parks and recreation | 15,000 | 31,000 | 4,832 | (26,168) |
| Recreation-capital outlay | | | 1,890 | 1,890 |
| Library committee meeting | 300 | 300 | 240 | (60) |
| TOTAL RECREATION AND CULTURE | 15,300 | 31,300 | 6,962 | (24,338) |
| OTHER | | | | |
| Insurance | 37,500 | 35,500 | 30,318 | (5,182) |
| Township share FICA | 13,500 | 13,500 | 12,684 | (816) |
| Needed for contingencies | 5,000 | 2,000 | 1,445 | (555) |
| TOTAL OTHER | 56,000 | 51,000 | 44,447 | (6,553) |
| Total expenditures | 391,300 | 411,300 | 363,286 | (48,014) |
| OTHER FINANCING SOURCES | | | | |
| Operating transfers out | | 364,091 | 331,388 | (32,703) |
| Total expenditure and other financing sources | 391,300 | 775,391 | 694,674 | (80,717) |
| Net Change in Fund Balance | | (20,000) | (212,751) | (192,751) |
| Fund Balance - April 1, 2006 | 871,013 | 871,013 | 871,013 | |
| Fund Balance - March 31, 2007 | \$871,013 | \$851,013 | \$658,262 | \$ (192,751) |

SANDS TOWNSHIP

REQUIRED SUPPLEMENTARY INFORMATION SPECIAL REVENUE FUNDS-CAPITAL PROJECTS AND CEMETERY PERPETUAL CARE STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL FOR THE YEAR ENDED MARCH 31, 2007

| | Capital Projects Fund | | | | Cemetery Perpetual Care Fund |
|---------------------------------------------------------|-----------------------|-------------------|------------------|------------------------|------------------------------------|
| | Original Budget | Amended Budget | Actual | Over (Under) Budget | Actual |
| Revenues | | | | | |
| State grant | \$ 95,500 | \$ 95,500 | \$ 85,950 | \$ (9,550) | \$ |
| Interest | | | 854 | 854 | 85 |
| Total revenues | 95,500 | 95,500 | 86,804 | (8,696) | 85 |
| Expenditures | | | | | |
| Capital outlay | 191,000 | 191,000 | 400,062 | 209,062 | |
| Excess of Revenues Over (Under) Expenditures | (95,500) | (95,500) | (313,258) | (217,758) | 85 |
| Other Financing Sources (Uses) | | | | | |
| Operating transfer in | | 364,091 | 331,388 | (32,703) | |
| Net Change in Fund Balances | (95,500) | 268,591 | 18,130 | (250,461) | 85 |
| Fund Balances - April 1, 2006 | 1,408 | 1,408 | 1,408 | | 1,663 |
| Fund Balances - March 31, 2007 | <u>\$ (94,092)</u> | <u>\$ 269,999</u> | <u>\$ 19,538</u> | <u>\$ (250,461)</u> | <u>\$ 1,748</u> |

SANDS TOWNSHIP

REQUIRED SUPPLEMENTARY INFORMATION SPECIAL REVENUE FUNDS- ROAD STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL FOR THE YEAR ENDED MARCH 31, 2007

| | Road Fund | | |
|---------------------------------------|-----------------------------------|-------------------|------------------------|
| | Original and Amended Budget | Actual | Over (Under) Budget |
| Revenues | | | |
| Taxes-current tax collections | \$ 90,743 | \$ 97,454 | \$ 6,711 |
| Penalties, interest and fees | | 77 | 77 |
| State grants-CFR | | 1,291 | 1,291 |
| Interest | | 9,413 | 9,413 |
| Total revenues | 90,743 | 108,235 | 17,492 |
| Expenditures | | | |
| Roads | 90,743 | 69,286 | (21,457) |
| Net Change in Fund Balances | | 38,949 | 38,949 |
| Fund Balances - April 1, 2006 | 407,482 | 407,482 | |
| Fund Balances - March 31, 2007 | <u>\$ 407,482</u> | <u>\$ 446,431</u> | <u>\$ 38,949</u> |

OTHER SUPPLEMENTAL INFORMATION

SANDS TOWNSHIP

OTHER SUPPLEMENTAL INFORMATION NONMAJOR GOVERNMENTAL FUNDS COMBINING BALANCE SHEET March 31, 2007

| | Special Revenue Funds | | | | |
|--------------------------------------|-----------------------|--------------|------------------|-----------------|-------------------------|
| | Ambulance Fund | Fire Fund | Cemetery Fund | Library Fund | Total Nonmajor Funds |
| Assets | | | | | |
| Cash | \$ 119,227 | \$ 89,230 | \$ | \$ | \$ 208,457 |
| Property tax receivable | 2,275 | 4,551 | | | 6,826 |
| Interest receivable | 15 | 205 | | | 220 |
| Interfund receivables | 13 | 27 | | | 40 |
| | | | | | |
| Total assets | \$ 121,530 | \$ 94,013 | \$ | \$ | \$ 215,543 |
| | | | | | |
| Liabilities and Fund Balances | | | | | |
| | | | | | |
| Liabilities | | | | | |
| Accounts payable | \$ | \$ 1,299 | \$ | \$ | \$ 1,299 |
| | | | | | |
| Fund Balances | | | | | |
| Unreserved-undesignated | 121,530 | 92,714 | | | 214,244 |
| Total fund balances | 121,530 | 92,714 | | | 214,244 |
| | | | | | |
| Total liabilities and fund balances | \$ 121,530 | \$ 94,013 | \$ | \$ | \$ 215,543 |

SANDS TOWNSHIP

OTHER SUPPLEMENTAL INFORMATION NONMAJOR GOVERNMENTAL FUNDS COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES FOR THE YEAR ENDED MARCH 31, 2007

| | Special Revenue Funds | | | | |
|---------------------------------------------------------|-----------------------|--------------|------------------|-----------------|-------------------------|
| | Ambulance Fund | Fire Fund | Cemetery Fund | Library Fund | Total Nonmajor Funds |
| Revenues | | | | | |
| Current tax collections | \$ 24,337 | \$ 48,718 | \$ | \$ 45,625 | \$ 118,680 |
| Penalties, interest & fees | 19 | 39 | | | 58 |
| State grants-CFR | 302 | 645 | | | 947 |
| Interest | 1,406 | 1,910 | 48 | | 3,364 |
| Other | 500 | 15,270 | | | 15,770 |
| | | | | | |
| Total revenues | 26,564 | 66,582 | 48 | 45,625 | 138,819 |
| Expenditures | | | | | |
| General government | | | 285 | | 285 |
| Public safety | | 32,625 | | | 32,625 |
| Health and welfare | 2,193 | | | | 2,193 |
| Recreation and culture | | | | 45,625 | 45,625 |
| Capital outlay | | 40,621 | | | 40,621 |
| | | | | | |
| Total expenditures | 2,193 | 73,246 | 285 | 45,625 | 121,349 |
| Excess of Revenues Over (Under) Expenditures | 24,371 | (6,664) | (237) | | 17,470 |
| Other Financing Sources (Uses) | | | | | |
| Operating transfer out | | | (40,275) | | (40,275) |
| | | | | | |
| Net Change in Fund Balances | 24,371 | (6,664) | (40,512) | | (22,805) |
| Fund Balances - April 1, 2006 | 97,159 | 99,378 | 40,512 | | 237,049 |
| Fund Balances - March 31, 2007 | \$ 121,530 | \$ 92,714 | \$ | \$ | \$ 214,244 |

SANDS TOWNSHIP

OTHER SUPPLEMENTAL INFORMATION FIDUCIARY FUNDS COMBINING STATEMENT OF NET ASSETS FOR THE YEAR ENDED MARCH 31, 2007

| | Pension Trust Fund | Tax Collection | Agency Funds Trust and Agency | Total |
|--------------------------------------------------------|-----------------------|----------------|----------------------------------|----------|
| Assets | | | | |
| Cash and investments | \$ 87,694 | \$ 2,249 | \$ 156 | \$ 2,405 |
| Liabilities and Net Assets | | | | |
| Liabilities | | | | |
| Due to other funds | \$ | \$ 1,498 | \$ | \$ 1,498 |
| Due to other governmental units | | 751 | 156 | 907 |
| Total liabilities | | \$ 2,249 | \$ 156 | \$ 2,405 |
| Net Assets - Held in trust for pension benefits | 87,694 | | | |
| Total liabilities and net assets | \$ 87,694 | | | |

COWELL & LaPOINTE, PC
CERTIFIED PUBLIC ACCOUNTANTS
GLORIA J. LaPOINTE, CPA, CFP
MICHAEL R. CHESLA, CPA
TERI L. CHESLA, CPA

101 SOUTH FRONT STREET
SAVINGS BANK BUILDING, SUITE 301
MARQUETTE, MICHIGAN 49855
906-228-5150

Board of Trustees
Sands Township
Marquette County, Michigan

MANAGEMENT LETTER ON ANNUAL REPORT

In connection with the examination of the financial statements of Sands Township for the year ended March 31, 2007, we submit the following comments and recommendations:

BUDGETS

The Uniform Budget and Accounting Act, PA2 of 1968, as amended, (MCL 141.421, et seq.), provides that a local governmental unit shall not incur expenditures in excess of the amount appropriated. During the year, Sands Township incurred expenditures in certain budgeted funds, which were in excess of the amounts appropriated, as follows:

| | |
|-----------------------------------|---------|
| General Fund | |
| Supervisor | \$ 195 |
| Clerk | 571 |
| Board of review | 1,250 |
| Treasurer | 538 |
| Legal | 997 |
| Recreation-capital outlay | 1,890 |
| Capital Projects – capital outlay | 209,062 |

Several amendments were made for transferring between funds. When the Board approves these, the budget needs to be changed by showing a *transfer to* other funds from the fund it is leaving, and a *transfer from* other funds in the fund it is entering.

The Board approved the 2006-2007 budget amendments on April 10, 2007. Budgets can't be amended after the end of your fiscal year since the costs have already been incurred. Budgets are usually amended to control costs before they have been incurred.

SANDS TOWNSHIP
MANAGEMENT LETTER ON ANNUAL REPORT
Page Two

FUND ACCOUNTING AND FUND CLASSIFICATIONS

Fund accounting is required for all governmental units and consists of several units within your governmental entity. Transactions should occur within funds and do not cross funds unless there are transfers or borrowings between funds.

There were numerous transactions in your Quickbooks data that crossed funds, i.e. the transaction did not balance within the fund (this does not include the end of month adjustment you are making to balance the pooled checking account). We have incorporated adjusting entries to get your data to balance between funds at March 31, 2007. These entries will also enable you to prepare a balance sheet by fund which will let you know if your funds balance and your transactions have been recorded properly. Your future transactions should have a class on every entry to have this feature work properly.

There were several transactions that needed to be reclassified to the correct accounts (see listing of adjusting journal entries). We suggest you obtain an understanding of the various funds the Township has, the transactions that occur within each fund and the types of accounts that are in each fund. This would help to determine where to record transactions and help prevent errors from occurring. Please refer to the Michigan Department of Treasury's Uniform Chart of Accounts for Counties and Local Units of Governments for additional help with these issues.

We suggest you follow these guidelines to help control the costs of your audit. If there are an excessive amount of audit adjustments that need to be made for incorrect entries there will be an additional cost in addition to the audit fee.

We want to thank Township personnel for their help during the audit. If we can be of assistance in the implementation of these recommendations or any other services as they may arise, please contact us.

Cowell & Harbison, PC
Certified Public Accountants

May 22, 2007